

## J. Michael Ferguson

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**From:** Kathy Bond <kbond@kairoshomesllc.com>  
**Sent:** Monday, March 30, 2015 10:34 AM  
**To:** J. Michael Ferguson  
**Subject:** RE: Alvord 287 Financials

Michael,

{From Brian Frazier} Alvord 287 JV has nearly a 20 year history on how this business is conducted. When you bought the interest from Jay you stepped into his shoes. This means nothing changed in how the business was run. Yes, you started doing the servicing, but under the exact same terms. You collect the payments, deposit money into Alvord's bank account, pay bills, do tax returns and we talk on disbursement - twice a year in December and June. To change how business is being conducted takes both of our approval. This was never given. The moment you collected payments for the first month and did not deposit funds into Alvord's bank account, was the moment you embezzled funds. You took funds that you were collecting for Alvord and had a fiduciary responsibility to timely deposit those funds into Alvord's account. You have already admitted that you have kept and comingled funds that were due Alvord.

As an attorney you know better than this. Off the top of my head, I have had 4 partners take monies that they were not supposed to take and it boggles my mind why they would do such a thing. I have no clue as to why you did what you did.

Now as to the threats of dissolution of the business.

Jay tried this one time. I will tell you what I told Jay;

You became my partner because I was good at what I do. I found the land. I had the plat drawn up. I built 3 miles of roads with my equipment, and men that worked for me, that was worth over \$400,000 dollars. I did not charge anything to the JV for the equipment or men. My salesmen sold the property, the JV never paid any advertising bill. I was an RS and I would draw out the plans for the septic's. The cost alone on 120 lots is valued at \$30K and never got paid anything from the JV. I helped install septic's, water, driveways and electric lines and never got paid anything. I inspected the aerobic systems and sent in quarterly reports for first 2 years to save an additional \$20K and got paid nothing for this. I, or my people, at the beginning mowed the sub-divisions with my tractor and never got paid anything. I never received a dime to reimburse gas and wear on my vehicle for the thousands of miles I drove. {As you can see I created all the monies to begin with}.

Jay you're a servicer of notes. You knew when you went into this deal that we were owner financing the properties for 30+ years. You knew the JV would have foreclosures and we would resale, making the servicing at best a 45 year deal. I will be happy to bring a computer into the courtroom and show the judge just how long it takes to input ten notes, and show him how long it takes to print out collection letters.

Jay, I knew all my work was in the beginning {of this joint venture – and yours over the course of 45 years}. I did my work, paid off all the money you loaned the JV at 18% interest, and now that the loan is paid off your no longer are willing to do what you said you would do.

Here is my thought Jay, you have done 20% of the work you promised, I have done all the work I promised. If I was the judge and you went to me with this, I would think this guy is not honoring the deal. The other guy had done all his work. I will give the guy that is trying to weasel out of his commitment what he has done, but no more.

When I sent this to Jay, I never heard another threat about dissolution again.

I guess you and me are different. If I was going to purchase a 50% interest into something and both parties had to agree to changes, I sure would call the person I was about to marry to and at least gone and had lunch.

As you can see, the joint venture is not worth 50/50 AT THIS TIME— your portion is maybe 20-25%.

My attorney says not to sign anything or take any checks. You will receiving a certified letter stating to deposited all funds into Alvord's checking account. That no further distributions to either partner are to be made. That we will monthly discuss the bills that are to be paid.

If these terms are not acceptable while we settle our differences in court, then I will immediately ask my attorney to seek a TRO and ask the court to appoint receiver to manage the JV while we wait for the outcome in court.

By the way, Jay will be brought into the suit too.

Brian  
817.847.7851

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**From:** J. Michael Ferguson [mailto:mike@jmichaelferguson.com]  
**Sent:** Sunday, March 29, 2015 5:08 PM  
**To:** Kathy Bond  
**Subject:** Alvord 287 Financials

Kathy and Brian,

Attached are the following:

1. P & L and Balance Sheet for each Quarter of 2014
2. P & L and Balance Sheet for Jan 2015
3. P & L and Balance Sheet for Feb 2015
4. Payment Register and Balance Reports for Oct 2014 thru Dec 2014
5. Payment Register and Balance Reports for Jan 2015
6. Payment Register and Balance Reports for Feb 2015
7. Journal Entries made for all of 2014
8. Journal Entries made for Jan 2015
9. Journal Entries made for Feb 2015
10. HUD Statements on 3 properties that sold and closed in my office versus your title company
11. Tax Statements for Wise County for properties that Alvord has Notes on showing delinquent taxes owed
12. Tax Statement for Denton County for properties that Alvord has Notes on showing delinquent taxes owed

These are the issues that I made a reserve for:

1. Delinquent taxes owed to Denton County or Wise County under notes- \$23,000 was reserved for those taxes as \$22,259 is owed this month. That . We will force the issue with the borrower to either pay them or Alvord will pay them and have them escrow for them if they continuously fall delinquent on them. For properties that the borrower pays their own taxes, a journal entry will be made to remove the funds from reserve to be available for capital with drawl. Any taxes that are advanced by Alvord, this will be reflected on a journal entry moving the funds from the reserve to an addition to either escrow if one is established or to the principal of the loan if that is what happens.
2. \$10,000 has been reserved for sales expense such as Septic Repair, road repair, mowing, etc. That will be maintained at that level especially as more lots are now selling. We have one septic repair already that I am told will run approximately \$2,500.00.

After reserving for that, I ran the report for January 2015 and distributed \$4,000 of free cash to each owner. In February, I distributed \$3,500 to each owner. Each month, within 30 days of the end of the previous month, you will get the following going forward:

1. Payment Register for the Month showing all payments
2. Balance Report for month showing balances of loans.
3. P & L and Balance Sheet for the month.
4. Journal Report from Quickbooks showing all entries made on the books of Alvord for the month

Here is a listing of all delinquent taxes owed on properties that are secured by a note and deed of trust:

Name	2014		2013		2012		2011		2010
	Denton	Wise	Denton	Wise	Denton	Wise	Denton	Wise	Denton
Adams Bil	\$233.40								
Belcher H									
Biddle Ma									
Biediger									
Bowen Cha	\$191.75								
Crone Bob									
Flores Lu									
Henderson	\$462.93	\$135.47	\$642.17						
Kopp Fali									
Kowalski	\$126.65	\$37.06							
Lopez Lil									
Martinez									
McLaughlin									
Murillo A	\$379.81	\$111.13							
Ortiz Rub	\$925.92	\$203.22							
Roberts B	\$467.20	\$136.71							
Russell S	\$1,147.33	\$336.15	\$1,245.82	\$365.00	\$1,308.81	\$396.17	\$1,418.69	\$430.27	\$1,525.30
Seeton Th	\$340.23	\$221.16							
Smith Jef	\$400.71	\$117.27	\$555.86	\$162.66	\$346.10				
Wisslead	\$0.00								
Zamora Ir	\$403.10	\$117.97							
Total: 21	\$5,079.03	\$1,416.14	\$2,443.85	\$527.66	\$1,654.91	\$396.17	\$1,418.69	\$430.27	\$1,525.30

I will get the financials to our CPA and get the tax return done so that he can send out the K1 on the company.

I understand if you disagree on how I am handling these issues and I am ok if you disagree. I apologize again for taking as long as I did to get this updated and confirmed on the delinquent taxes but we just have not had time to get it done. If you feel that you disagree enough to split the company, then please do the following:

1. Give me your ideas on how to split the assets and I will be happy to discuss that with you. If we reach an agreement on how to fairly split the assets, then we can each take our share and dissolve Alvord 287.

Otherwise, I will now send you monthly reports as well as monthly checks on the portfolio.

Any accounting documents you need, reports you need, pay histories, taxes paid, bills paid, etc. please feel free to request that by email and we will send it over to you.

I have included each and every Journal Entry made for this Entity so you have a complete set of books for 2014 thru Feb 2015. I will mail the \$7,500 for Jan 2015 and Feb 2015 tomorrow.

Thanks,  
Mike

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